

ORIGINAL



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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: August 29, 2005

RE: IN THE MATTER OF VERDE LEE WATER COMPANY, INC. APPLICATION FOR  
RETROACTIVE APPROVAL OF SALE OF ASSETS IN DOCKET NO. W-02096A-  
02-0546

AZ CORP COMMISSION  
DOCUMENT CONTROL

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**Introduction**

On July 19, 2002, Verde Lee Water Company, Inc. ("Company") filed a request for retroactive approval of a sale of assets. In 1999, the Company sold a non-producing well along with the property upon which the well was situated.

Staff recommends retroactive approval of the sale of assets subject to appropriate accounting recognition.

**Verde Lee Water Company, Inc.**

The Company provides water service to approximately 190 customers in an area approximately 6 miles east of Clifton, Arizona, in Greenlee County. The Company's current rates were authorized in Decision No. 62623 on July 9, 2000.

**Background**

In addition to the new rates approved in Decision No. 62623, the Company also received financing approval for a loan from Bank One for \$50,950. In determining the financing amount, Staff took into consideration the fact that the Company had sold a non-producing well (well # D5-30-10-4) and the land upon which the well was situated. The proceeds (\$19,000) were used to reduce the amount of the financing authorization. The loan was paid in full by the end of 2001.

Based upon Staff's analysis of the Company's Annual Reports, it does not appear that the Company has, in fact, removed the sold well from its books. The Company should remove the appropriate amounts from Account 303, "Land and Land Rights", from Account No. 307, "Wells and Springs", from Account No. 311, "Pumping Equipment", and any related accumulated depreciation from Account 108, "Accumulated Depreciation" as prescribed by the National

Association of Utility Regulatory Commissioners ("NARUC") Uniform System of Accounts ("USOA") for retirements.

**Procedural Summary**

On July 19, 2002, the Company filed its request for retroactive approval of a sale of assets. On August 8, 2005, a Procedural Order was issued requiring Staff to make a filing, by August 29, 2005, updating the Commission on the status of this matter.

**Staff Recommendation**

Staff recommends retroactive approval of the Company's sale of assets noted above.

Staff further recommends the Commission require the Company to record appropriate accounting entries as prescribed by the NARUC USOA to remove the sold assets and any related accumulated depreciation from its books and records.

Ernest G. Johnson  
Director  
Utilities Division

EGJ:JJD:tdp

Originator: James J. Dorf